Eastern Rural Telecom Association

May 29, 2012

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, SW
Washington, D.C. 20554

RE: Notice of Ex Parte –
Connect America Fund, WC Docket No. 10-90; A National Broadband Plan for Our Future, GN Docket No. 09-51; Establishing Just and Reasonable Rates for Local Exchange Carriers, WC Docket No. 07-135; High-Cost Universal Service Support, WC Docket No. 05-337; Developing an Unified Intercarrier Compensation Regime, CC Docket No. 01-92; Federal-State Board on Universal Service, CC Docket No. 96-45

Dear Ms. Dortch:

On May 24, 2012 Darby McCarty of Smithville Telephone Company, Desda Passarella Hutchins of Loretto Telephone, Craig Smith of MGW Communications, and Jerry Weikle of Weikle & Co met with Christine Kurth of Commissioner Robert M. McDowell's office.

ERTA stated that there is uncertainty being driven by the adoption of the regression analysis model and that a delay of the effective date, or total elimination of the model, would allow time to better understand the true impact of other changes that have been made and to make further improvements to the model. Instead of allowing companies to move forward with capital or operating expenditures to serve customers with new services or repair network issues, this uncertainty has resulted in a management by fear situation where decisions are not being made due to concern about causing a loss of customer cost support in the future because of the unknowns about the outcome of the regression model several years from now.

In terms of short term modifications absent a delay in implementation, ERTA discussed allowing flexibility to exceed one benchmark if a company's expenditures were below the other benchmark by an equal or greater amount. Companies need flexibility to manage their operations to provide service to customers. The impact of separate caps is to force all companies to operate along a one size fits all track regardless of whether that regulation makes sense for their particular circumstances and customer base. Companies with unique circumstances need to be able to operate in a way that makes sense for them to serve customers and not be penalized for having a different capital vs. expense structure than "similarly situated" carriers.

Regression should not create disincentives for investment by penalizing companies and customers by withholding recycled support nor should it remove support required to maintain existing networks in high cost areas.

In addition to the above, ERTA also discussed some items found on the attached handout.

ERTA ◆ 5910 Clyde Rhyne Drive ◆ Sanford, NC 27330
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If there are any questions, I can be reached at 704.782.7738.

Sincerely,

/s/ Jerry Weikle

Jerry Weikle
Regulatory Consultant

cc: Christine Kurth

Eastern Rural Telecom Association

Rural Community Harms Caused by Regression Analysis

The Eastern Rural Telecom Association ("ERTA") is a membership organization made up of local exchange companies ("LECs") and support companies that provide telecommunications services to rural customers in the Eastern half of America. ERTA members operate small, community based businesses that are based on a philosophy of neighbors serving neighbors in rural areas.

> "Because it is impossible to anticipate the effect of every rule or every result of innovation, it is prudent to reevaluate rules and data collections in light of new information and circumstances." Final Plan for Retrospective Analysis of Existing Rules released by the FCC (May 18, 2012) p. 2.

The FCC's Report and Order in WC Docket Nos. 10-90, etc., FCC Release No. 11-161 (November 18, 2011) and subsequent Orders have caused the unintended consequences of harming rural consumers and communities by allowing uncertainty to continue for companies that provide voice and broadband services. Instead of being innovative and looking for creative solutions, these companies have battened down the hatches.

Specifically, the FCC's Quantile Regression Analysis stifles planning for the future and:

- Results in a "management by fear" culture of service where employees are fearful of losing their job because of retroactive rate making and reduced support revenues.

- Rewards a "do nothing" investment approach instead of an "out of the box" approach seeking creative solutions and network improvements to serve customers.

- Causes fear and uncertainty in employees because the wrong decision to spend capital or expense dollars could cost their company much needed Universal Service Support.

- Results in a downturn in broadband network equipment spending after current broadband stimulus projects are finished.

- Causes uncertainty for companies making business decisions required to provide service to customers in high cost areas when revenues do not meet costs.

- Results in reduced service quality and service response times to cope with uncertain and less than predictable support in high cost areas.

- Prevents companies from recovering the established lawful investments and operating expenses incurred to provide universal service.

ERTA asks the FCC to not impose Regression Analysis effective July 1. Instead allow time to understand the impacts of other major modifications and then act accordingly.

ERTA asks the FCC to not impose further change contemplated in the FNPRM portion of its Federal Communications Commission Report and Order in WC Docket Nos. 10-90, etc., FCC Release No. 11-161 (November 18, 2011). Instead allow time to understand the impacts of other major modifications and then act accordingly.

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